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INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE PRIORITY
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RUEHBJ/AMEMBASSY BEIJING PRIORITY 0749
RUEHKO/AMEMBASSY TOKYO PRIORITY 0625
RUEHIT/AMCONSUL ISTANBUL PRIORITY 1202
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RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY
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RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RHEFDIA/DIA WASHDC PRIORITY
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DOE FOR LANA EKIMOFF/KAY THOMPSON

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SUBJECT: TURKMENISTAN/AZERBAIJAN: COMPENSATION, NOT JUST
DELIMITATION

Classified By: CHARGE RICHARD E. HOAGLAND FOR REASONS 1.4 (B), (D)

11. (S) SUMMARY: According to Foreign Minister Meredov, Turkmenistan's problem with Azerbaijan is more fundamental than bilateral Caspian Sea delimitation. He accuses Azerbaijan and British Petroleum of stealing Turkmenistan's wealth from the disputed Osman/Chirag natural gas deposit. He also questions the viability of the South Caucasus Gas Pipeline. END SUMMARY.

12. (C) In the course of a November 2 discussion with Deputy Prime Minister/Foreign Minister Rashit Meredov how the United State might be helpful on the issue of bilateral Caspian Sea delimitation with Azerbaijan, Meredov did not rule out the possibility of U.S. good offices, but noted Baku and Ashgabat continue their bi-monthly meetings on this issue on their own. Azerbaijan's Deputy Foreign Minister Khalaf Khalafov is expected in Ashgabat November 20 for the next round of talks.

COMPENSATION FOR "THEFT"

13. (S) Meredov admitted delimitation needs to be resolved, but said there is a more fundamental issue than simply legal definitions and negotiated compromises. "Azerbaijan and British Petroleum (BP) have been stealing Turkmenistan's wealth from the disputed Omar Osman natural gas field -- Omar Osman is fundamental to us." (NOTE: Azerbaijan calls this field Chirag. END NOTE.) He asked, "How is Azerbaijan going to compensate us for this theft?"

PROBLEMS WITH SOUTH CAUCASUS GAS PIPELINE

14. (S) Reacting to Azerbaijani officials' statements about Caspian Sea delimitation and pipelines immediately following the October 16 Caspian Sea Summit in Tehran, Meredov smiled thinly and said, "Azerbaijan has a tendency to shift

positions." He added, "Azerbaijan is getting extremely nervous because it does not have enough natural gas for the South Caucasus Gas Pipeline, let alone Nabucco. It's out on a limb and can't crawl back without us." Meredov went further, "That pipeline is not safe anyway because it goes through unstable Georgia. (EUR A/S Dan) Fried just had to dash to Tbilisi to calm down (President) Saakashvili." Charge noted Georgia would be much more stable without outside interference.

BERDIMUHAMEDOV IS "NOT NAVE"

Charge noted President Berdimuhamedov frequently and impatiently asks Western visitors, most recently EU Javier Solana, "Where's my Trans-Caspian Pipeline?" Charge asked, "Does Berdimuhamedov really mean that? Does he truly not understand that no Western government will build a Trans-Caspian Pipeline for Turkmenistan, but that it has to be done by private-sector investors?" Meredov replied, "Of course he's not nave, but that's a discussion for another time."

COMMENT: This is the first time Meredov -- or any other Turkmenistani official to our knowledge -- has gone beyond the issue of delimitation with us in the Turkmenistan-Azerbaijan relationship. If he is serious about demanding compensation for "stolen wealth," that will be an enormous hurdle. We were intrigued by his view of the South Caucasus Gas Pipeline, with his emphasis on Azerbaijan's "paucity" of gas to fill it, and Georgia's "instability." Anyone of a paranoid bent could almost hear echoes of Kremlin/Gazprom talking points. END COMMENT.
HOAGLAND